

SPEECH

October 22, 2020

Managing Director's Remarks, 2020 Fund Directors Conference

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October 22, 2020
2020 Fund Directors Conference (Virtual)

As prepared for delivery.

Hello, everyone. Welcome to the second day of IDC's first-ever virtual Fund Directors Conference.

We hope you came away from yesterday—as well as our core responsibilities sessions last week—with valuable insights, and we're delighted to have another great program lined up for you today.

Although we'd all prefer to be seeing one another in person, we've set a new record for attendance at this conference.

Now, stepping back a bit, about three weeks ago, IDC launched a new communications initiative—in support of a renewed mission, ratified by our Governing Council last month.

In my remarks this afternoon, I'd like to share a bit about the thinking behind this renewed mission, and about how we aim to advance it in the year ahead.

It feels like quite a while ago now. But it was only last fall—right around the time of this conference—that I joined IDC as managing director.

In the year since, our staff and Governing Council have held numerous conversations about how to build on IDC's strong record of service to independent directors.

Of course, the COVID-19 crisis has compelled us to alter our approach in how deliver resources to directors. But it hasn't changed—indeed, it's clarified—the overarching calculus that came out of those conversations.

The environment facing fund boards will continue to evolve—perhaps in unpredictable ways—so directors need to be prepared to navigate the range of scenarios they might face.

By building on our pillars of education, engagement, advocacy, and promoting public understanding, our renewed mission centers on positioning independent directors to thrive in this evolving environment—especially in times of uncertainty.

Three key priorities will help advance this mission.

The *first* is to promote excellence in fund governance. That should be no surprise, right? It's even in our new logo. But it does raise an important question: What is it that makes fund governance *excellent*?

From speaking with many independent directors, the conclusion I've come to is this:

To excel at fund governance is to understand that serving on a fund board is a profound obligation, and that directors who succeed in this role approach it with the sincerity and conviction that our 100 million shareholders deserve.

At a practical level, that means dedicating yourself to continuing education and growth—to mastering your core responsibilities, sharpening your skills in your oversight role, and determining how new industry and regulatory developments could affect your work.

It means exercising sound judgment—knowing when to ask questions and the right questions to ask, and when to step back and let the management company fulfill its role.

It means keeping a weather eye open and an ear to the ground—staying vigilant to any activity that could compromise the interests of fund shareholders.

It means pursuing diversity and inclusion in your recruiting efforts and in your spheres of influence—and, as we heard during yesterday's panel, being very intentional about it.

It means soaking up the insights of your fellow board members, opening yourself to constructive critique, and boldly sharing your own perspective as well.

At IDC, we believe that directors are at their best when they embody each of these qualities, and that our resources can go a long way in helping you do so. This Fund Directors Conference is a prime example of such a resource.

This brings me to our second key priority: fostering an even stronger independent director community.

Now, serving on a fund board is often communal in nature in the sense that there's a collegial, professional culture in which you take collaborative steps toward a common goal.

Embracing this sense of community—that's a big part of what it means to serve on a fund board. But no less important is the *collective* community we seek to cultivate with you and your peers across and among different fund boards.

Think of it this way.

As independent directors, you draw on a wide range of sources to get the information you need to fulfill your oversight role—training programs, reports, analyses, assessments,

voluminous board materials, you name it.

These sources are essential. But the frontline, on-the-ground insights you can gather by engaging with folks from *other boards*—you can't readily get those insights anywhere else. They're critical to expanding the body of knowledge that directors have worked to build for decades and will need to rely on long into the future.

All of us—at IDC and independent directors—must do everything we can to continue this virtuous cycle. Only by continuing to build relationships—by forging lasting connections, even during a global pandemic—can we make our thriving community even stronger.

Our third key priority builds on the first two, and it's the most important: reaffirming our commitment to fund shareholders.

Now, independent directors have always been committed to their shareholders. For more than 80 years, they've relied on your rigorous oversight to help safeguard their interests.

In return for this awesome responsibility, directors have fostered a culture worthy of it—a fiduciary one that puts shareholders' interests at the heart of every decision.

It's true that directors' efforts to protect shareholders have often gone unseen or unsung. When you work behind the scenes, I guess that comes with the territory. But it's never made these efforts less important.

In fact—as the industry continues to evolve, as the policy landscape continues to change, as the outlook for this public-health crisis continues to remain uncertain—I would submit that today, protecting shareholders has never been *more* important.

That's why it's so critical, not only to keep their interests as your guide in perpetuity, but to affirm this truth at every chance you get.

It's also why we at IDC must continue to put shareholders front and center in all of our work. Indeed, we cannot stress this enough.

In thinking about how IDC can advance its renewed mission—how we can deliver on these key priorities—I'm reminded of the strategic nature of this enterprise.

The famous chess grandmaster, Garry Kasparov, once said that strategy starts “with a goal in the distant future and works backward to the present.” A skilled player “makes the best moves because they're based on what the [chess] board [should look like] 10 or 20 moves in the future.”

As I see it, we all should strive to adopt this perspective—to always be thinking ahead, anticipating what's next and thereafter.

We at IDC certainly will strive to do so. That's our commitment to the independent director community, and my hope is that you'll actively engage in this collective endeavor with us on behalf of the shareholders you serve.

Thank you very much.

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